



Outsourcing & Privatization

Brig Gen Hugh Cameron

Overview



The Mission

Intel

Flight Plan

Mutual Support

Why O&P?

*“In order to be able to afford capabilities sufficient to support our existing military strategy and provide adequate investments to prepare for the future, **the Air Force must find ways to become more efficient.**”*

*Over the past several years we have worked hard to streamline our combat forces...**it is time to focus on freeing up excess resources committed to our support functions.”***

Gen Michael Ryan
Chief of Staff, U.S. Air Force

The Mission Pressures

- ★ Defense Science Board
- ▮ General Accounting Office
- ▮ Quadrennial Defense Review
- ▮ Office of Management & Budget
- ▮ National Defense Panel
- ▮ Defense Reform Initiative

All Say DoD Is Too Heavy
In Support

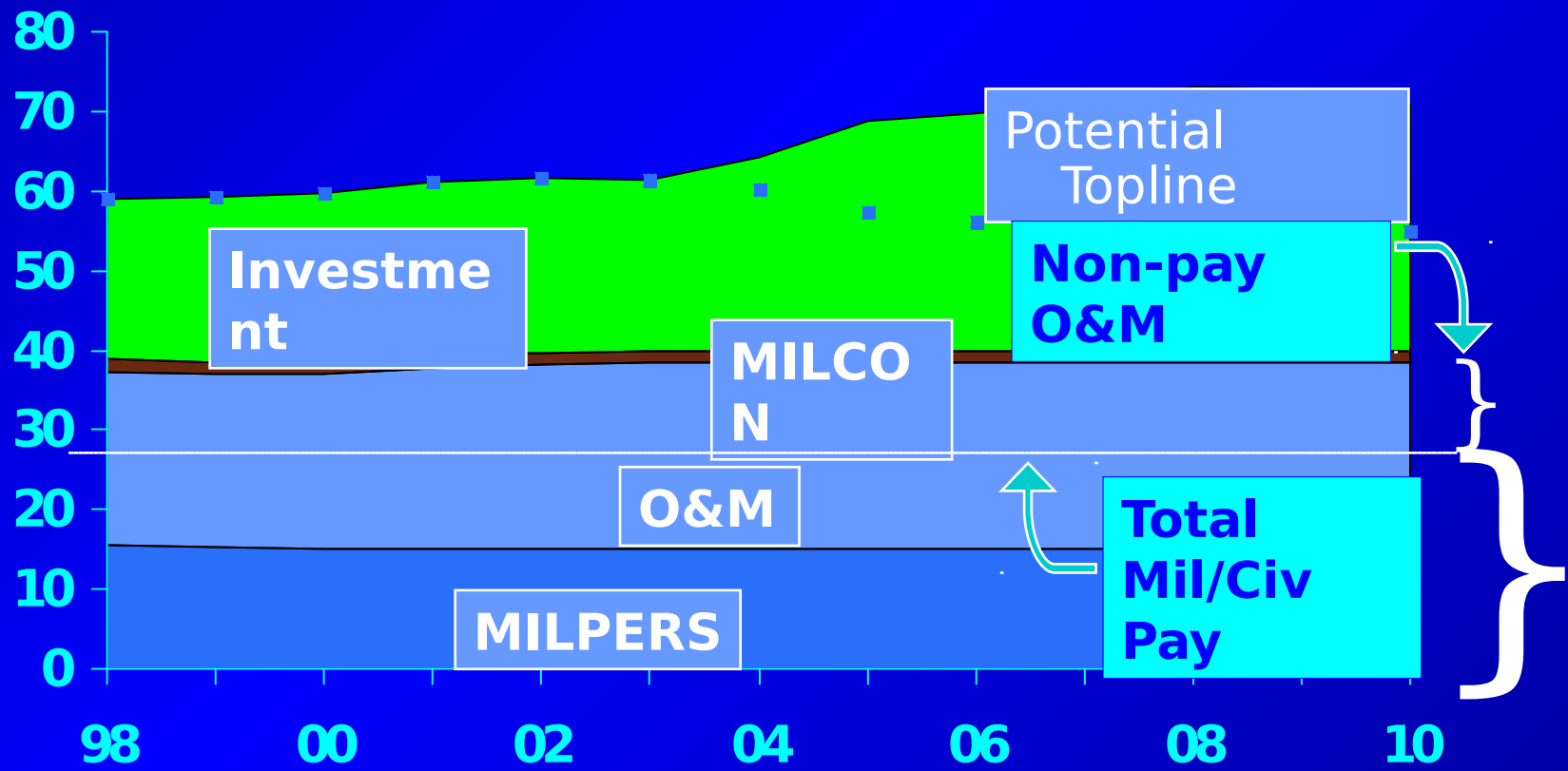
AF O&P Goals



- ★ **Improve performance, quality, efficiency**
 - ▢ **Focus on core activities**
 - ▢ **Generate savings for modernization**
 - ▢ **Sustain readiness**

Funding Trends

\$B (CY97)



Fiscal Year

FY 98 POM

Outsourcing & Privatization

Definitions



Outsourcing

- ✦ Conversion of an activity to contractor performance
- ▯ Government retains responsibility and control

Privatization

- ▯ Transfer of control of an asset (land, facility, utility plant/system) and associated activity
- ▯ Public \$ Private



Privatization Current Program

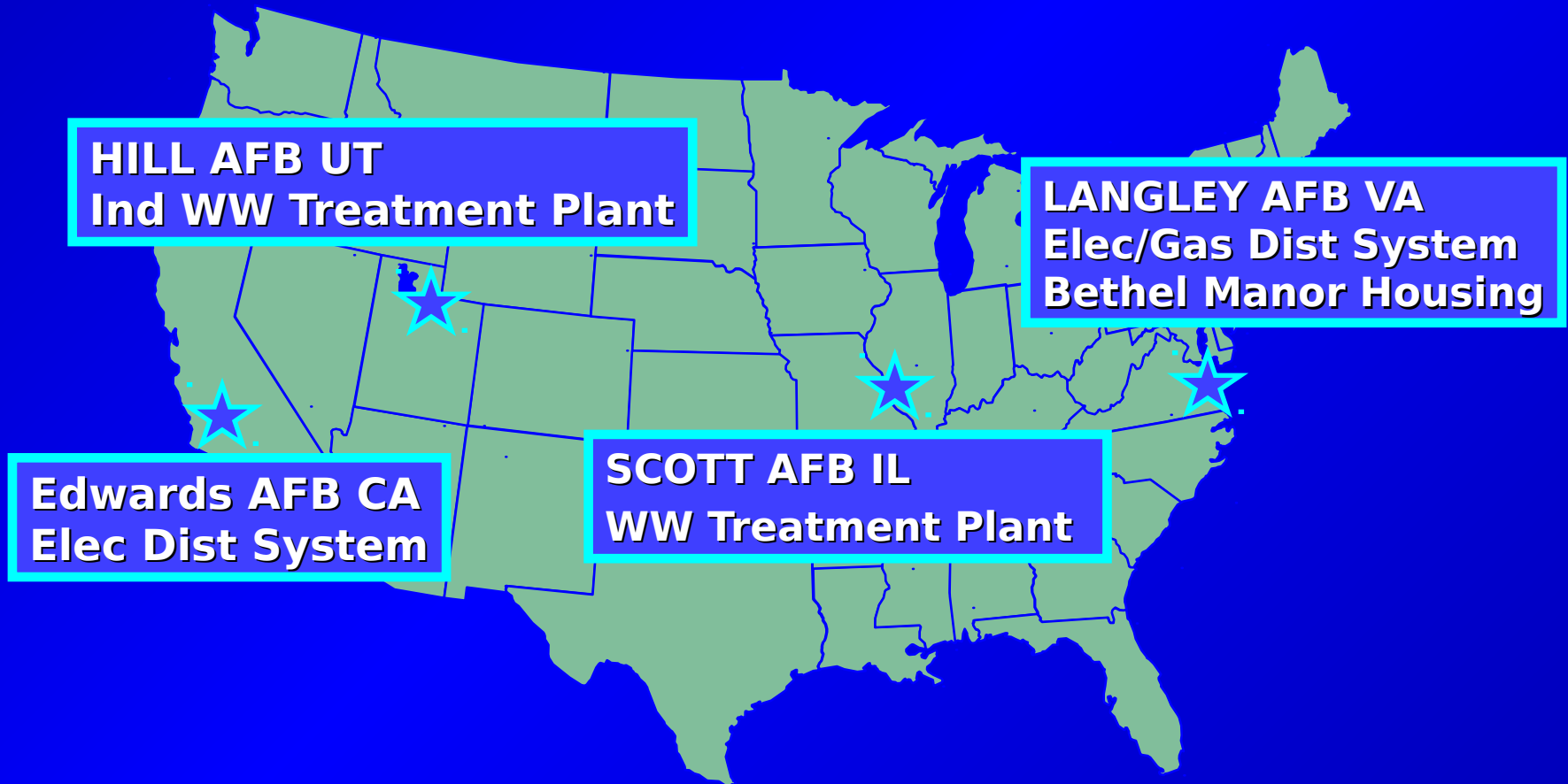
UTILITIES

- Goal - get out of the business of owning, operating/ maintaining utilities, as long as....
 - Makes economic sense - no readiness impact
- Four AF projects - feasibility studies in progress
- **SECDEF sees DoD out of business by FY00**

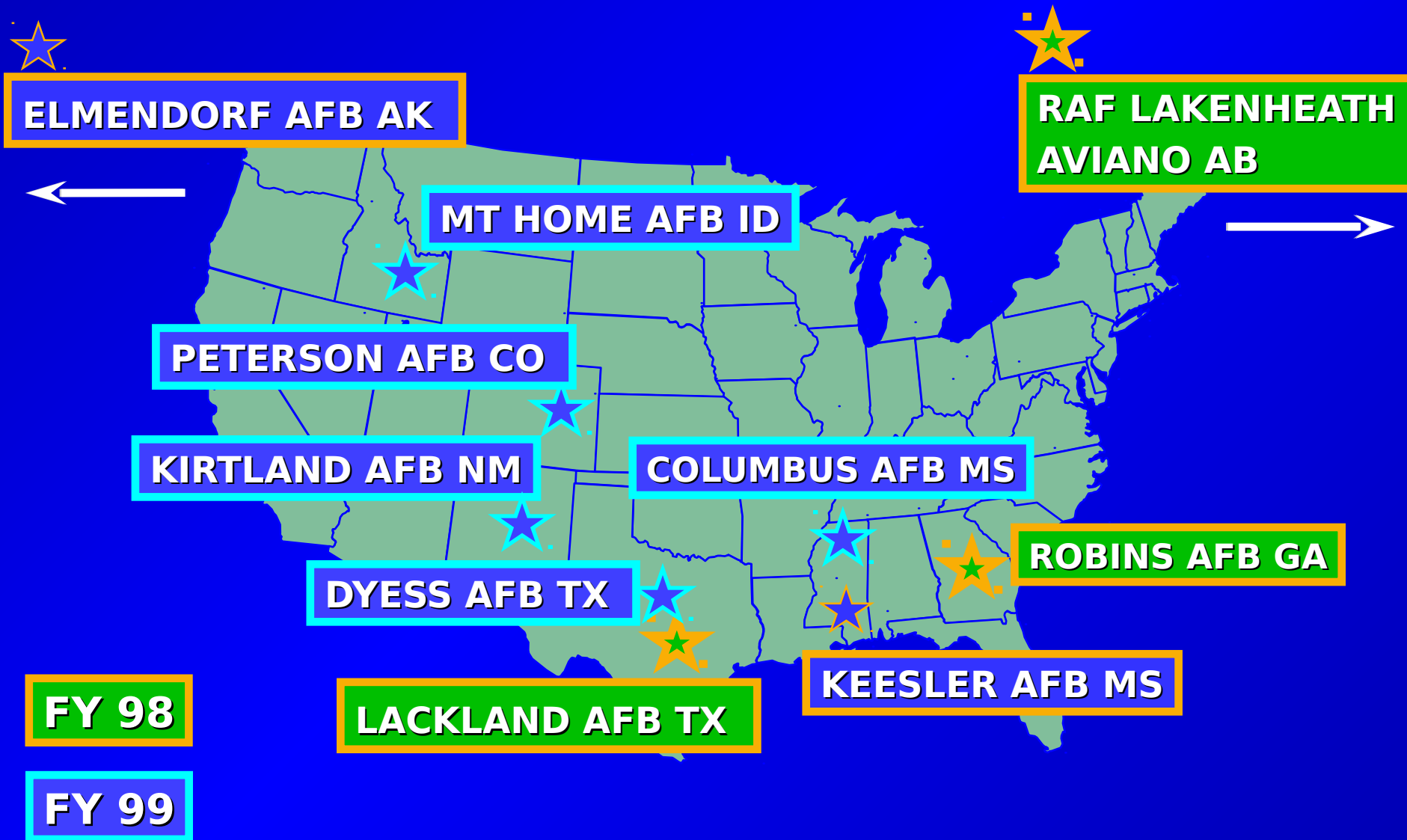
FAMILY HOUSING

- Four FY98 projects - (**1180+** units)
- Seven FY99 projects - (**6100+** additional units)
- Accelerates buyout of renovations and replacements

Air Force Utilities



Family Housing



Outsourcing

★ Two ways

▮ Direct conversion

- ▮ 10 or fewer APFs (appropriated fund civil
- ▮ No MEO (Most Efficient Organization) requ

▮ Cost Comparison

- ▮ Based on law
- ▮ 11-20 APFs - no Congressional notification
- ▮ >20 APFs - must notify Congress

Outsourcing Key Points

- ▮ **Based on competition between in-house and contractor performance**
- ▮ **Once study is announced we have committed to act on results**
- ▮ **Military converts to civilian if stay in-house**
 - ✧ **Workforce will likely reduce to be competitive**
- ▮ **In-house workforce goes away if contracted**
 - ▮ **Current civilians have right of first refusal**
 - ▮ **Other entitlement programs in place (e.g., VSI)**
- ▮ **OMB Circular A-76 spells out the process**

OMBC A-76

⊛ **Based on policy dating to 1955**

▮ **Key points:**

- ▮ **Can't O&P Inherently Governmental activities**
- ▮ **Can't O&P commercial activities which are:**
 - ▮ **Military Essential (forward based, deployment)**
 - ▮ **Traditionally or uniquely military (Honor Guard)**
 - ▮ **Restricted by law (Cops, Firefighters)**
- ▮ **Statutory time limits (24/48 months)**

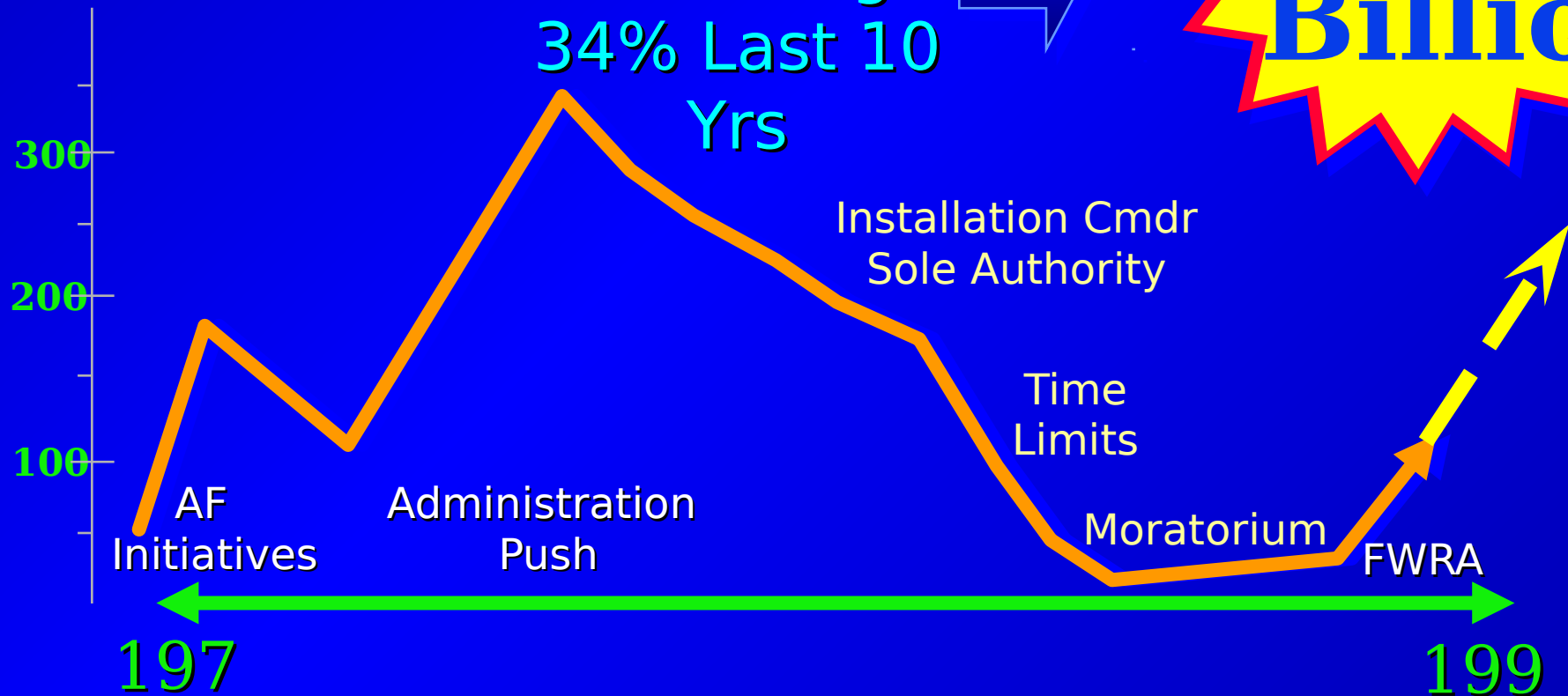
Why O&P?

A-76 Cost Comparison Ground Track

800+ Comparisons
21K+ Positions

24% Savings
34% Last 10
Yrs

**\$5+
Billion**



Outsourcing

Average Personnel Savings



**Activity Size
(Number of
Positions)**

**Average
Savings**

1 - 25

13%

26-50

15%

51 - 100

30%

101-300

36%

301 - Up

41%

Intel The Process



A-76 Steps



Commander's Responsibilities



★ Startup Phase

★ Appoint Steering Group Members

- ▮ Communicate to employees and union

- ▮ Ensure PWS

- ▮ Says what not how

- ▮ Reflects minimum requirements

Commander's Responsibilities



- ▮ **In-progress Phase**
 - ▮ **Stay plugged in**
 - ▮ **Keep on schedule**
 - ▮ **Identify problems early on**
 - ▮ **Ensure Transition Plan is workable**
 - ▮ **Transition Plan lays out steps to transition from current workforce to MEO or contractor performance**

Commander's Responsibilities

▮ Implementation Phase:

Execute transition plan based on cost decision:

▮ If in-house, implement MEO w/civs

- ▮ Must conform to PWS and cost estimate
- ▮ AFAA audits within 1 year

▮ If contract, implement contract

- ▮ Post-Award Contract Administration Plan
- ▮ Quality Assurance Evaluators (QAEs)

O&P Perceptions



Takes Too Long

Leads to Contract Cost Increases

Can't Return Contracted Work In-House

***Reduced Resource
Flexibility***

Lessons Learned

★ Can't do business as usual

★ O&P is full time effort

- ▮ Demands best people and personnel stability

▮ Getting ready for O&P

- ▮ Limited A-76 experience; great need for training

- ▮ **Not yet on field commanders' radar**

- ▮ Need to continue to communicate purpose and value

Lessons Learned

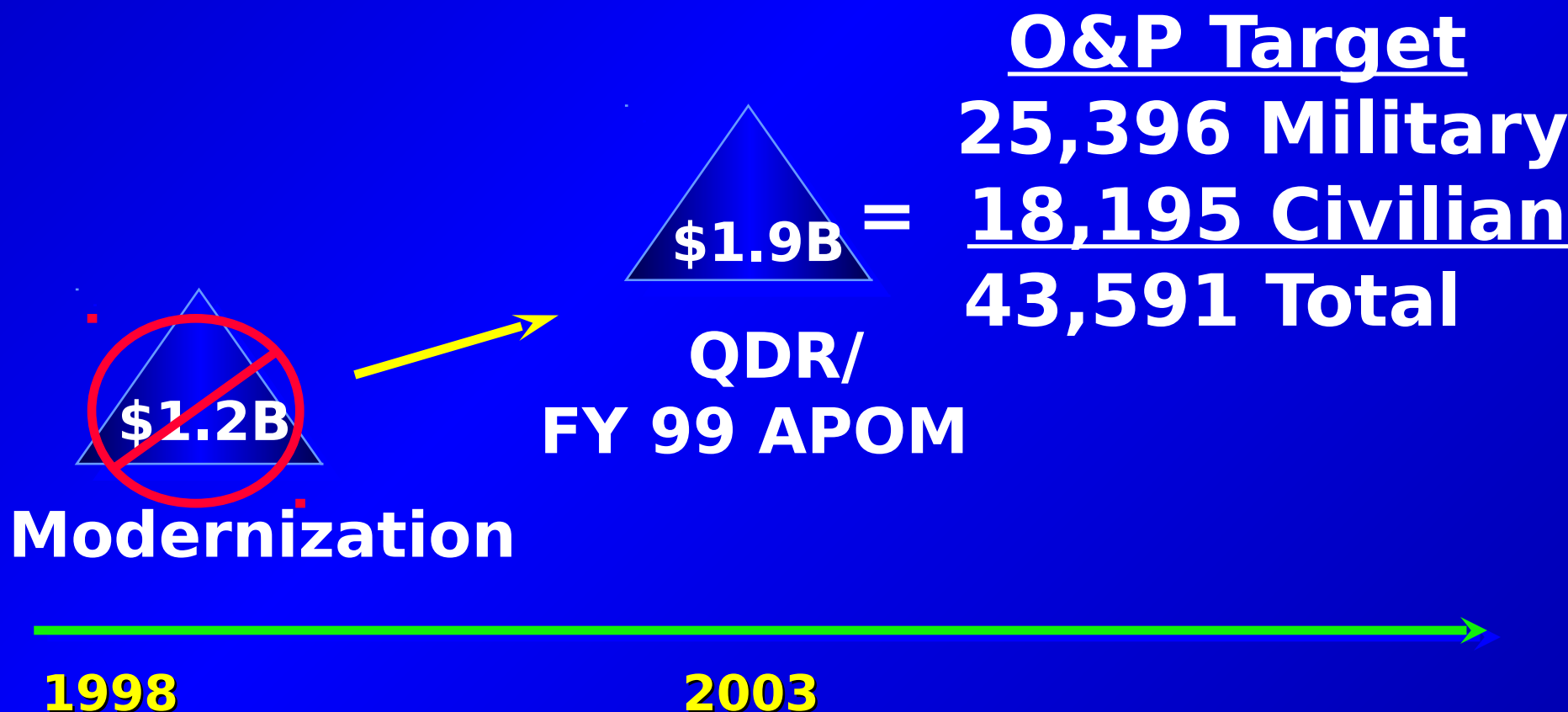


- ✪ **Buy-in and leadership a must**
- ▮ **Minimize key personnel turnover**
- ▮ **Base/function must execute Transition Plan!**
 - ✪ **Inadequate plan = recipe for failure**
 - ▮ **New workforce must be trained and ready**
 - ▮ **Overlap is essential**

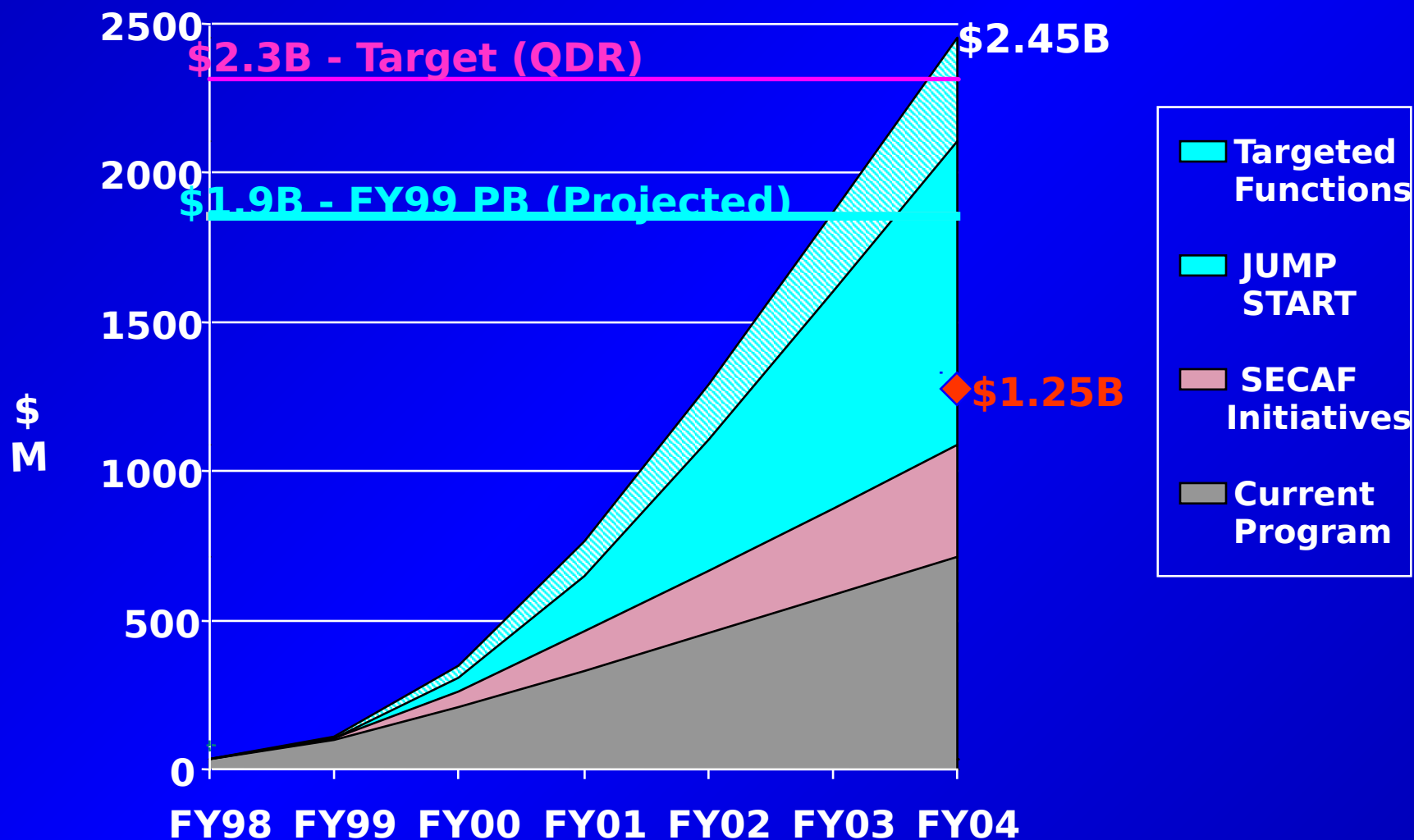
Lessons Learned

- ▮ **MEO defines bare bones**
 - ✧ **Tough to absorb further reductions**
 - ▮ **Personnel management key**
- ▮ **O&M aftermath**
 - ▮ **New \$\$ for contract/MEO comes from converting current workforce + existing O&M**
 - ▮ **Contract viewed as a must-pay bill**
 - ▮ **Competed functions still subject to reductions**

Flight Plan QDR Vector

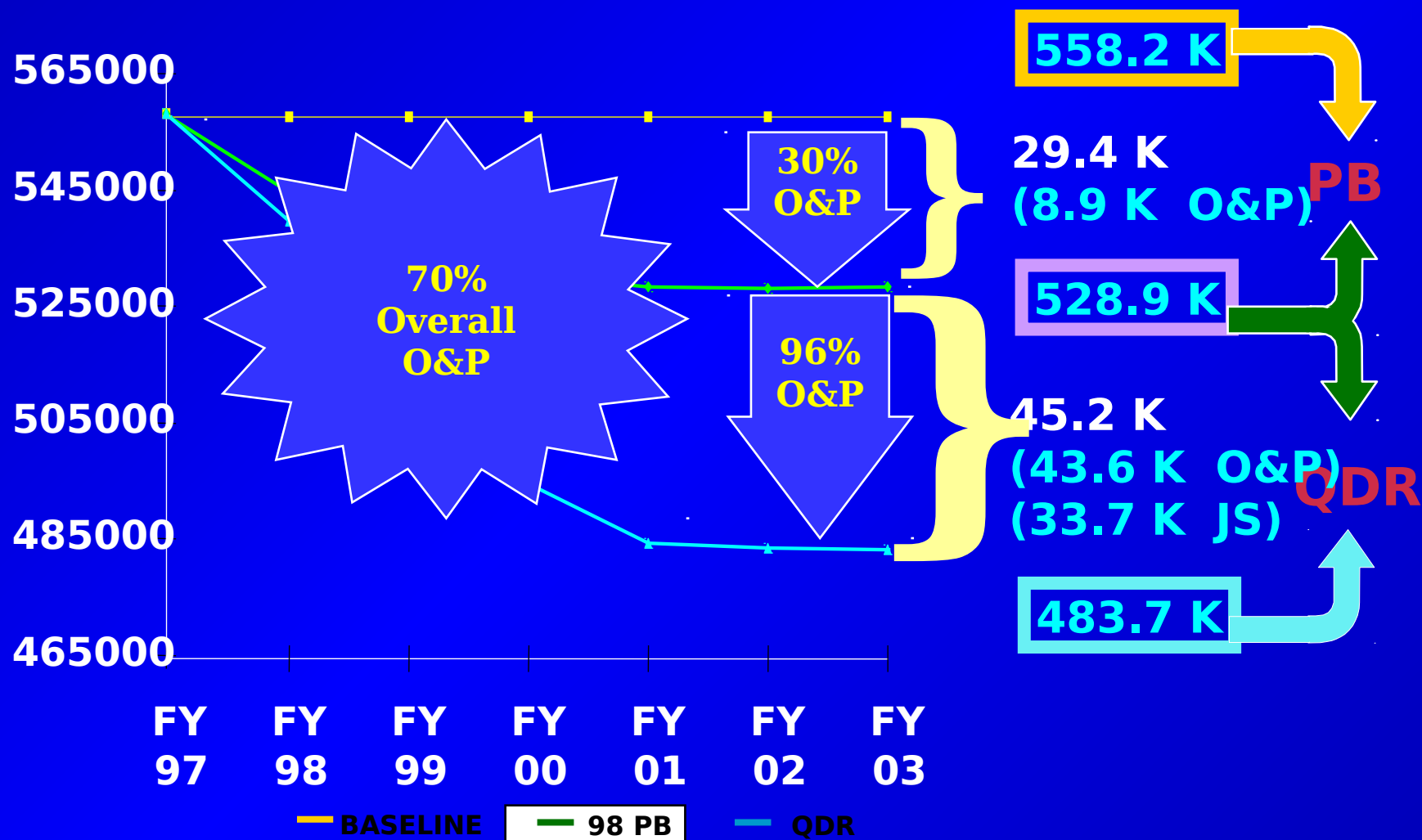


QDR Outsourcing Goals



QDR Impact

Total Active Baseline



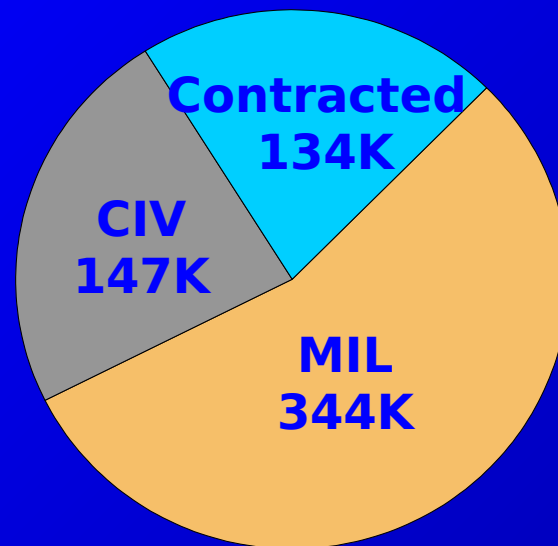
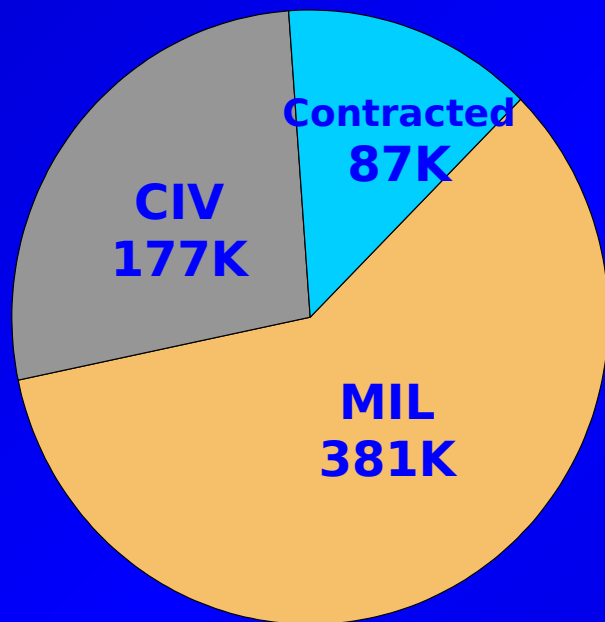
Total Air Force Resources Shift

FY97

Organic - 558K (87%)
Contracted - 87K (14%)
645K

FY03

Organic - 491K (79%)
Contracted - 134K (21%)
625K



What is JUMP START?



- ★ **Concept**

- ★ **Next Large Round of AF Outsourcing**

- ▮ **Approach**

- ▮ **Target Non-Military Essential**
 - ▮ **HAF/MAJCOMS Identified Candidate Functions**

- ★ **Next Steps**

- ▮ **HAF Functional Review/AFC - COMPLETE**
 - ▮ **Provided Potential Candidates to Field**
 - ▮ **MAJCOMs Execute**

JUMP START

AFC Results: 10 Oct 97

<u>OPR</u>	<u>JUMP START Results</u>	<u>% Population Impacted</u>
Engineering	6561	16
Supply	6334	23
Maintenance	4789	5
Trans	1598	9
Services	3455	29
IL TOTAL	22737	12
Comm	14,284	25
Personnel	2799	18
Security Forces (CATM)	0	0
Weather	281	13
FM	<u>1115</u>	<u>10</u>
TOTAL	41216	15

Challenges

LEGISLATIVE

- Congress/State/Local
- Law
 - Depot Legislation
 - Title 10 (Fire Fighters - Security Guards)
 - Utilities Privatization
- Military Floor

IMPLEMENTATION

- Projected Study Volume
- Availability of Suppliers
- Level of Savings Achieved
- Small Business Administration
- People Turbulence
- In-House Wins Competition
- Pers Tempo
- Unions

Mutual Support

What AFCQMI is Doing

★ A-76 Training

- ★ Over 1800 since FY95

- ▮ Trained additional 3200+ through Nov 97

- ▮ FY98 program funding uncertain

- ▮ Get with MAJCOM A-76 POC

▮ Strike Teams

- ▮ Available to kick-start process

- ▮ Assist in PWS and MEO development

What AFCQMI is Doing



✧ Information clearinghouse

- ✧ On-line access to information (PWSs, MEOs, lessons learned, tech guidance, etc.)
 - ▮ Hyperlinked A-76 Reference Guide
 - ▮ Sources of contractor augmentation
 - ▮ Installation Commanders Handbook

★ Training, Training, Training

AFCQMI Web Page

Divisions

Products

Curriculum

IDEA

Awards

O&P

Symposium

Best Practices

AF Survey

AFMRF

Innovator

FAQ

Toolbox

Contact us



The
Innovation
Center

AFCOMI

O&P Web Page



Commander's Handbook

COMMANDERS HANDBOOK
ON
OUTSOURCING & PRIVATIZATION



Developed by
Air Force Center for Quality and Management Innovation
Outsourcing & Privatization Division
Randolph AFB, TX

A-76 Help Page

A-76 Help

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A-76 Process



[Air Force A-76 Process Overview](#) (ppt)

Steering Group



[AFI 38-203, Commercial Activities Program](#)

[DOD 5500.7-R Joint Ethics Regulation](#)

Most Efficient Organization



A-76 Process Overview Page

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Conclusion

- ★ Program is Aggressive...but Measured
- ▮ Big Impact on People and Culture
- ▮ Can't Afford to not do this Right

The Only Thing Worse Is Letting
Someone Else Do It For Us

O&P Vision

“I consider outsourcing and privatization - along with other elements of the Air Force’s on-going management revolution - to be a **“pass-fail”** item if we are to remain the force that this nation needs in the decades to come.

...it is up to all of us to vigorously pursue further opportunities.”

***Sheila E. Widnall
Secretary of the Air Force
20 Nov 96***



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